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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

G92-22606

For Quarter Ended ..... March 31, 1992

Commission File Number 0-15529

First Peoples Financial Corporation

Name of Registrant As Specified in its Charter

New Jersey	22-2762303
State of Incorporation	I.R.S. Employer Identification Number

Cuthbert Boulevard and MacArthur Drive
Haddon Township, New Jersey, 08108

Address of Principal Offices

(609) 858-7300

Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, $6 Par Value-2,522,171 shares as of May 1, 1992

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FIRST PEOPLES FINANCIAL CORPORATION AND SUBSIDIARIES

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FIRST PEOPLES FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)
(In thousands)

	March 31, 1992	March 31, 1991	December 31, 1991
		(Unaudited)	
ASSETS			
Cash and Cash Equivalents:			
Cash and due from banks	$45,118	$36,902	$61,135
Federal funds sold	11,000	18,000	33,500
Total Cash and Cash Equivalents	56,118	54,902	94,635
Time deposits with other banks	0	13,001	5,000
Investment securities (Market Value $182,369 at March 31, 1992; $166,265 at March 31, 1991; $179,068 at December 31, 1991)	181,670	167,439	174,178
Loans:	747,987	690,493	730,143
Loans	0	62,000	23,000
Term federal funds	(8,905)	(9,622)	(10,010)
Less: Allowance for possible loan losses	739,082	742,871	743,133
Net Loans			
Premises and equipment	22,977	22,070	22,817
Other real estate	18,138	8,707	18,692
Accrued income	11,648	12,903	12,357
Other assets	4,572	5,798	5,105
Total Assets	$1,034,185	$1,027,691	$1,075,915
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:	$149,034	$134,500	$159,320
Noninterest–bearing	754,325	765,472	788,161
Interest–bearing	903,359	899,972	947,481
Total Deposits			
Federal funds purchased and securities sold under repurchase agreements	48,917	47,520	47,018
Other short–term borrowings	830	1,125	830
Accrued interest on deposits	4,583	5,894	5,092
Other liabilities	3,963	5,024	4,380
Limited–life preferred stock	0	500	0
Total Liabilities	961,652	960,035	1,004,801
Shareholders' Equity:			
Common stock	20,307	20,208	20,235
Surplus	19,450	19,134	19,222
Retained earnings	59,581	54,905	58,269
Treasury stock	(26,400)	(26,400)	(26,400)
Valuation allowance for securities	(405)	(191)	(232)
Total Shareholders' Equity	72,533	67,656	71,114
Total Liabilities and Shareholders' Equity	$1,034,185	$1,027,691	$1,075,915

See notes to condensed consolidated financial statements.

FIRST PEOPLES FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands except per share data)

	Three Months Ended March 31,	
	1992	1991
Interest income:		
Loans, including fees	$14,878	$18,271
Investment securities		
Taxable	2,643	2,102
Tax-exempt	809	866
Short-term investments	205	371
Total interest income	18,535	21,610
Interest expense:		
Deposits	9,033	11,895
Short-term borrowings	207	260
Long-term borrowings	0	0
Total interest expense	9,240	12,155
Net interest income	9,295	9,455
Provision for possible loan losses	150	150
Net interest income after provision for possible loan losses	9,145	9,305
Other income:		
Service charges on deposit accounts	873	769
Gains on sales of investment securities	20	134
Gain on sale of credit card portfolio	0	0
Other	1,448	796
Total other income	2,341	1,699
	11,486	11,004
Operating expense:		
Salaries and employee benefits	3,858	4,044
Net occupancy	885	849
Equipment and processing	762	844
Net expense of other real estate	337	167
Federal deposit insurance	522	434
Legal fees and loan collection services	228	264
Other operating expenses	1,957	1,988
Total operating expense	8,549	8,590
Income before income taxes	2,937	2,414
Income taxes	700	490
Net income	$2,237	$1,924
Weighted average shares outstanding:		
Primary	2,629	2,519
Fully diluted	2,629	2,519
Net income per common share:		
Primary	$0.85	$0.76
Fully diluted	$0.85	$0.76

Certain prior-year amounts have been reclassified to conform with the 1992 presentation. Such reclassifications had no effect on income.

FIRST PEOPLES FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

	Three Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net income	$2,257	$1,924
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,882	1,244
Accretion on investment securities	(26)	(35)
Gains on sales of investment securities	(20)	(134)
Gain on sale of other real estate	(54)	(59)
Provision for possible loan losses	150	150
Decrease (increase) in accrued income	709	(631)
Decrease in accrued interest on deposits	(509)	(584)
Decrease (increase) in other assets	417	(94)
(Decrease) increase in other liabilities	(417)	379
Net cash provided by operating activities	4,149	2,160
Cash flows from investing activities:		
Net increase in federal funds purchased and securities sold under repurchase agreements	1,900	38,753
Net decrease (increase) in time deposits with other banks	5,000	(13,001)
Term federal funds sold	0	(102,000)
Maturities of term federal funds	23,000	109,000
Net (increase) decrease in loans	(20,358)	1,414
Recoveries on loans charged off	232	303
Proceeds from sale of other real estate	625	227
Capital expenditures, net	(604)	(884)
Purchases of investment securities	(24,735)	(40,031)
Sales of investment securities	8,380	18,725
Maturities of investment securities	8,661	2,187
Net cash provided by investing activities	2,103	10,913
Cash flows from financing activities:		
Net decrease in deposits	(44,123)	(48,810)
Cash dividends on common stock	(946)	(940)
Cash dividends on preferred stock	0	(17)
Cash paid to redeem 9.25% limited-life preferred stock	0	(250)
Issuance of common stock from exercise of employee stock options	300	0
Net cash used in financing activities	(44,769)	(50,017)
Net decrease in cash and cash equivalents	(38,517)	(36,944)
Cash and cash equivalents at beginning of year	94,635	91,846
Cash and cash equivalents at end of year	$56,118	$54,902
Supplemental disclosures of cash flow information.		
Cash paid during the year for:		
Federal income taxes	$105	$68
Interest on deposits	$9,542	$12,479
Interest on borrowings	$197	$239
Nonmonetary transfers:		
Conversion of loans to other real estate	$18	$243

Disclosure of accounting policy

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold. Generally, federal funds are purchased and sold for one day periods.

FIRST PEOPLES FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of First Peoples Financial Corporation ("FPFC" or "the Corporation") have been prepared in accordance with generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ending December 31, 1992.

ITEM 2

MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Interest Rate Sensitivity

The liquidity position and interest rate sensitivity of FPFC are managed by the Asset/Liability Management Committee ("ALCO"), which is composed of executive and senior management. The major functions of the ALCO are to provide for adequate liquidity and to balance interest-sensitive assets and liabilities. ALCO bases its determination as to the adequacy of FPFC's liquidity position by taking into account the maturities and marketability of earning assets to meet the projected future needs of deposit and other liability demands.

In regard to interest rate sensitivity, ALCO's principal objective is to maximize net interest income while attempting to avoid income fluctuations in periods of volatile interest rates. Interest rate sensitivity varies with different types of interest-earning assets and interest-bearing liabilities. Overnight federal funds on which rates change daily and loans which are tied to the prime rate differ considerably from long-term investment securities and fixed-rate loans. Similarly, time deposits over $100,000 and money market certificates are much more interest sensitive than savings accounts and long-term borrowings. The ALCO strives to maintain its interest sensitivity gaps (i.e., the differential between interest-sensitive assets and interest-sensitive liabilities over given time periods) within a specific range.

The first table shows the interest-sensitivity gaps for five different time periods and the cumulative gap for the same periods as of March 31, 1992. For the first time period (0-30 days) and last time period (1-5+ years), interest-earning assets exceeded interest-bearing liabilities. For the balance of the time periods there was an excess of interest-bearing liabilities over interest-earning assets. The cumulative excess of interest-earning liabilities over interest-bearing assets, based on a six-month period (the primary area of emphasis of ALCO) was $15.2 million. This represents a rate-sensitive assets to rate-sensitive liabilities ratio of 0.97%. Additionally, for a one-year time period, the cumulative excess of interest-earning liabilities over interest-bearing assets was $57.5 million.

The second table presents the run off of interest bearing deposits. The Corporation does not expect the run off of any demand deposits. Over the last several years, average demand deposit balances have been increasing and they are expected to increase further according to the Bank's profit plans. This growth is expected based on the continued expansion of the Bank's core banking business and past experience.

Liquidity and Interest Rate Sensitivity (continued)

Interest Rate Sensitivity Gaps
As of March 31, 1992 (in millions)

	0-30 days	31-90 days	91-180 days	181-365 days	1-5+ years	Total
Interest Earning Assets:						
Term Federal Funds	$	$	$	$	$	$ 0.0
Federal Funds Sold	11.0					11.0
Investment Securities	2.3	4.8	7.9	13.3	151.9	180.2
Loans	407.7	27.0	28.2	26.0	236.5	725.4
Total	$421.0	$ 31.8	36.1	$ 39.3	$389.4	$916.5
Interest Bearing Liabilities:						
Federal funds purchased and securities sold under agreement to repurchase	$ 48.9	$	$	$	$	$ 48.9
Interest-bearing deposits	313.3	60.8	75.0	80.8	220.8	750.8
Other short-term borrowings				0.8		0.8
Zero-rate	6.1				110.0	116.1
Total	$368.3	$ 60.8	$ 75.0	$ 81.6	$330.8	$916.6
Total sensitivity gap for period	$ 52.7	$(29.0)	$(38.9)	$(42.3)	$ 57.5	
Cummulative	$ 52.7	$ 23.7	$(15.2)	$ 57.5		

Interest Bearing Deposit Run Off
As of March 31, 1992 (in millions)

	0-30 days	31-90 days	91-180 days	181-365 days	1-5+ years	Total
Deposit Type:						
Savings Account	$ 7.7	$	$	$ 2.5	$155.5	$165.7
NOW & Supernow Accounts				33.5		33.5
Money Market Accounts	171.5					171.5
IRA's	0.1		0.6	1.2	3.9	5.8
Certificates of Deposit	30.4	38.3	69.0	43.4	60.8	242.6
Jumbo C/D's	103.6	22.5	5.3	0.3		131.7
Total	$313.3	$ 60.8	74.9	$ 80.9	$220.2	$750.0

Liquidity and Interest Rate Sensitivity (continued)

The exposure to interest rate volatility is such that each 1% increase or decrease in overall short-term rates, which is reflected equally over the 0-365 day period in interest on interest-sensitive assets and interest-sensitive liabilities, would cause a change in annual pretax earnings of $575,000 over the one year period in the table above, in the same direction as the interest rate change.

FPFC's policy requires ALCO to normally maintain ratios of rate-sensitive assets to rate-sensitive liabilities of between .85 and 1.15% over the six month and one year time frames. This policy is intended to stabilize the long-term earnings power of the Corporation along an acceptable growth path.

Since December 31, 1989, FPFC has maintained a cumulative six-month gap which has remained within the range dictated by FPFC policy. Management feels that the Corporation remains in a position to benefit from the rises in the interest rate environment and, alternatively, to effectively manage any decreases in the interest rate environment should they occur.

Capital Adequacy

At March 31, 1992, FPFC's primary capital ratio was 7.81% as compared to 7.77% at March 31, 1991 and 7.99% at December 31, 1991. The regulatory capital guidelines approved in 1988, "Risk-Based Capital", redefine the measurement of capital, adjust assets for varying risks and include recognition of off-balance sheet commitments and contingent liabilities. Risk-Based Capital guidelines will become fully effective in December, 1992. At that time, banking organizations will be required to have capital equivalent to 8% of assets, weighted by risk.

Banking organizations must have at least 4% Tier 1 capital, which consists of core capital elements including common stockholders' equity, retained earnings and perpetual preferred stock, to weighted risk assets. The other half of required capital, Tier 2, can include, among other supplementary capital elements, limited-life preferred stock and subordinated debt, and loan loss reserves up to certain limits.

In response to the Federal Reserve Board's risk-based capital requirements, management has determined its March 31, 1992 adjusted capital ratios to be 13.02% using Tier 1 components of total capital and 14.52% using Tier 2 components.

The Corporation declared its first common stock dividend on September 19, 1990 since its inception in 1986. Dividends of $946,000 were paid to holders of the Corporation's Common Stock during the first three months of 1992.

Results of Operations

FPFC reported net income of $0.85 per share or $2.2 million for the quarter ended March 31, 1992. This represents a return on average assets of 0.87% and a return on average equity of 12.49%. Net income was $0.76 per share or $1.9 million for the quarter ended March 31, 1991. Average shares outstanding increased slightly from 2.5 million at March 31, 1991 to 2.6 million at March 31, 1992.

The $0.3 million improvement in net income in the first quarter of 1992 as compared to the first quarter of 1991 resulted primarily from gains on the sale of government guaranteed loans and from the reduction in the Bank's estimated contractual liability to the former processor of the Bank's credit card transactions. This liability was adjusted from an estimated provision to the actual liability when it became known in the first quarter of 1992. These positive items were partially offset by a $0.2 million increase in the provision for income taxes and by a $0.1 million reduction in net interest income.

Financial Condition

Total assets were $1.0 billion as of March 31, 1992 and remained nearly unchanged from total assets of one year earlier. Gross loans, excluding term federal funds sold, were $748.0 million as of March 30, 1992, an increase of $57.5 million, or 8.3 percent, from $690.5 million at March 31, 1991. The increase in gross loans outstanding was attributable to growht related to loans fully guaranteed by the U.S. Government.

At the end of the third quarter, nonperforming assets (nonaccruing loans plus other real estate and troubled debt restructurings) totalled $41.4 million as compared to $25.8 at March 31, 1991 and to $39.8 million at December 31, 1991. The allowance for possible loan losses decreased to $8.9 million, or 1.94 percent of gross loans, excluding term federal funds sold and loans fully guaranteed by the U.S. Government. This compares to $9.6 million, or 2.07 percent of gross loans, excluding term federal funds sold and loans fully guaranteed by the U.S. Government, as of March 31, 1991.

Average interest-earning assets increased to $943.6 million for the first three months of 1991, up 2.6 percent from $919.8 million in 1991. This increase of $23.8 million was achieved by increases in the investment and loan portfolios. Specifically, average U.S. Treasury securities increased $1.0 million and U.S. Agency securities increased $48.9 million. Government guaranteed loans increased $51.9 million, mortgage loans increased $14.5 million and consumer loans increased $1.0 million. In addition, federal funds sold and time deposits with other banks increased $0.9 million and $2.7 million, respectively. Offsetting these increases was a decrease of $1.4 million in municipal securities, a decrease of $14.3 million in other securities, a $8.3 million decrease in commercial loans, a $7.1 million decrease in lease financing loans and a $66.0 million decrease in term federal funds.

Average total deposits rose during the first three months of 1992 to $928.6 million, an increase of $33.0 million, or 3.7 percent, from the first

Financial Condition (continued)

three months of 1991. The increase in deposits reflects the funding necessary for the increases in the loan and investment portfolios.

Average short-term borrowings, including federal funds purchased and securities sold under agreement to repurchase, increased $4.9 million, or 27.7 percent to $22.4 million for the first quarter of 1992. This increase was primarily the net result of a increase in securities sold under agreement to repurchase of $4.8 million an increase in federal funds purchased of $0.4 million and a $0.3 decrease in short-term borrowings related to securities and a note sold subject to put options.

The Corporation's average shareholders' equity increased by $4.3 million for the twelve months ended March 31, 1992 to $71.7 million. The increase was primarily a result of earnings for the period, net of dividend on common and preferred stock.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibits are included herein:

(11) Statement re: Computation of Earnings Per Share

(b) Reports on Form 8-K:

A report on Form 8-K was filed on February 13, 1992, reporting the announcement of a definitive agreement for CoreStates Financial Corp to acquire First Peoples Financial Corporation. This filing was amended on Form 8 dated February 27, 1992.

FIRST PEOPLES FINANCIAL CORPORATION AND SUBSIDIARIES

Exhibit (11)
Statement re: Computation of Net Income per Common Share
(In thousands, except per share data)

	Three Months Ended March 31,	
	1992	1991
Primary:		
Net income	$2,237	$1,924
Cash dividends declared: Limited–life preferred stock	0	(17)
Net income, as adjusted for computation of primary net income per share	$2,237	$1,907
Weighted average common shares outstanding	2,522	2,506
Add: Common stock equivalents	107	13
Weighted average common shares outstanding for computation of primary net income per share	2,629	2,519
Primary net income per common share	$0.85	$0.76
Fully Diluted:		
Net income	$2,237	$1,924
Cash dividends declared: Limited–life preferred stock	0	(17)
Net income, as adjusted for computation of fully diluted net income per share	$2,237	$1,907
Weighted average common shares outstanding	2,522	2,506
Add: Common stock equivalents	107	13
Weighted average common shares outstanding for computation of fully diluted net income per share	2,629	2,519
Fully diluted net income per common share	$0.85	$0.76

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

First Peoples Financial Corporation

(Registrant)

BY: Charles J. Nugent

Charles J. Nugent
Senior Vice President and
Chief Financial Officer

DATE: 5-15-92